**Form 51-102F1**

**JACKPOT DIGITAL INC.**

**Management's Discussion & Analysis**
**Annual Audited Consolidated Financial Statements for the Year ended December 31, 2018**

The following discussion and analysis of the financial condition and financial position and results of operations of Jackpot Digital Inc. (the "Company" or "Jackpot") should be read in conjunction with the annual audited consolidated financial statements for the years ended December 31, 2018 and 2017 and the notes thereto.

The consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Company's consolidated financial statements are expressed in Canadian (CDN) Dollars which is the Company's functional currency. All amounts in this MD&A are in CDN dollars unless otherwise stated.

**The following information is prepared as at April 30, 2019.**

## Forward-Looking Statements

Certain statements contained herein are "forward-looking" and are based on the opinions and estimates of management, or on opinions and estimates provided to and accepted by management. Forward-looking statements may include, among others, statements regarding future plans, costs, projections, objectives, economic performance, or the assumptions underlying any of the foregoing. In this MD&A, words such as "may", "would", "could", "will", "likely", "enable", "feel", "seek", "project", "predict", "potential", "should", "might", "hopeful", "objective", "believe", "expect", "propose", "anticipate", "intend", "plan", "estimate", "optimistic" and similar words are used to identify forward-looking statements. Forward-looking statements are subject to a variety of significant risks and uncertainties and other factors that could cause actual events or results to differ materially from those expressed or implied. Although management believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, projections and estimations, there can be no assurance that these assumptions, projections or estimations are accurate. Readers, shareholders and investors are therefore cautioned not to place reliance on any forward-looking statements in this MD&A as the plans, assumptions, intentions, estimations, projections, expectations or factors upon which they are based might vary or might not occur. The forward-looking statements contained in this MD&A are made as of the date of this MD&A, and are subject to change after such date. The Company undertakes no obligation to update or revise any forward-looking statements, except in accordance with applicable securities laws.

## Overview

The principal business of Jackpot Digital Inc. (the "Company" or "Jackpot") is the developing, marketing and leasing of electronic table games to casino operators. The Company's common shares trade on the TSX Venture Exchange ("TSX-V") under the symbol "JP" and on the OTCQB under the trading symbol "JPOTF". A certain number of the Company's warrants trade on the TSX-V under the symbol "JP.WT". The Company's common shares are also listed for trading on the Frankfurt and Berlin Exchanges under the symbol "LVH2".

Effective April 20, 2018, the Company consolidated its common shares on the basis of 10 pre-consolidation common shares to 1 post-consolidation common share. All the figures as to the number of common shares, stock options, warrants, prices of issued shares, exercise prices of stock options and warrants, as well as loss per share, in the consolidated financial statements are post-

consolidation amounts and the prior year comparatives have been retroactively restated to present the post-consolidation amounts. The new CUSIP number of the Company's common shares is 466391208 and the new CUSIP number of the Company's listed for trading warrants is 466391133.

The financial statements of the Company's wholly-owned subsidiaries, Jackpot Digital (NV), Inc. (incorporated in the USA), and Touche Capital Inc. (incorporated in British Columbia), and the Company's partially-owned subsidiary 37 Capital Inc. ("37 Capital"), are included in the consolidated financial statements from the date that control commenced to the date of disposal or dissolution. On November 2, 2017, the Company obtained control of 37 Capital.

On December 19, 2017, as part of a contemplated transaction, Jackpot caused to incorporate a federally incorporated company "10545856 Canada Inc.", which subsequently changed its name to "Electrium Mining Inc." and "Electrium Blockchain Inc." (collectively referred to as "Electrium"). On January 2, 2018, on behalf of Electrium, the Company entered into a letter of intent ("LOI") with International Interactive Ventures Inc. of Ramat Gan Israel, and associated companies ("Seller Group"). This LOI was subsequently terminated. As of September 2018, Electrium cancelled all the previously issued Electrium shares to the Company, and as such, the Company is no longer related to Electrium.

The Company's office is located at Suite 400 – 570 Granville Street, Vancouver, British Columbia, Canada, V6C 3P1 and the Company's warehouse is located at 4664 Lougheed Hwy, Unit W030, Burnaby, British Columbia, Canada, V5C 5T5.

The Company's registered office is at Suite 3200 - 650 West Georgia Street, Vancouver, BC V6B 4P7.

The Company's audit committee consists of Messrs. Bedo H. Kalpakian (Chairman), Gregory McFarlane and Neil Spellman.

The Company's Registrar and Transfer Agent is Computershare Investor Services Inc. located at 510 Burrard Street, Vancouver, BC, Canada, V6C 3B9.

The Company is a reporting issuer in the Provinces of British Columbia and Alberta and files all public documents on www.sedar.com.

**Selected Annual Information**

Selected annual information from the audited consolidated financial statements for the three years ended December 31, 2018, 2017 and 2016 is shown in the following table:

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| Revenues | $ 2,114,575 | $ 3,550,720 | $ 2,793,483 |
| Expenses | 4,790,897 | 7,184,542 | 7,697,380 |
| Net loss and Comprehensive Loss | (3,574,325) | (4,289,315) | (6,158,137) |
| Basic and Diluted Loss per common share | (0.08) | (0.13) | (0.39) |
| Total Assets | 4,922,580 | 4,779,044 | 6,361,810 |

| Long term financial obligations | 445,574 | 334,474 | 2,982,264 |
|---|---|---|---|
| Cash dividends | Nil | Nil | Nil |

For the year ended December 31, 2018, the Company has recorded revenues of $2,114,575 (2017: $3,550,720) (2016: $2,793,483) which includes Electronic gaming tables of $2,114,575 (2017: $3,564,798) (2016: $2,638,771), Licensing revenue of $nil (2017: $(14,097) (2016: $152,058) and Other revenue of $nil (2017: $19) (2016: $2,654).

The revenues in 2017 were higher than during 2016 due to the recognition of deferred revenues of $1,082,098 during the year ended December 31, 2017 as a result of receiving a gaming licence for the Company's ETGs in the Province of Ontario, Canada ("OLG License").

The expenses decreased significantly during 2018 as compared to 2017 and 2016 due to the Company recognizing a gain of $2,678,332 on debt settlement with Everi Holdings Inc. ("Everi").

The net loss and comprehensive loss for 2018 was $3,574,325 as compared to $4,289,315 in 2017 and as compared to $6,158,137 in 2016. The decrease during 2018 is due to the recognition of gain on debt settlement with Everi, and the decrease during 2017 is due to the recognition of deferred revenues as a result of the OLG License.

The Company has never paid any dividends and has no plans to pay any dividends in the future. For the year ended December 31, 2018, the Company's weighted average number of common shares was 44,509,035 as compared to 31,842,424 in 2017 and as compared to 15,599,655 in 2016.

The long term financial obligations have decreased in 2018 and 2017 as a result of including the non-convertible debentures in the current liabilities.

## Results of Operations

During 2018, the Company entered into production of the Jackpot Blitz™ table for the regulated and non-regulated markets. From January 2018 to the date of this MD&A, the Company installed 36 Jackpot Blitz™ ETG units for both non-regulated and regulated (land-based) casino customers. As of December 31, 2018, the Company had 34 Jackpot Blitz™ ETG units installed in cruise-ship casinos. As of the date of this MD&A, the Company has installed in land-based and cruise-ship casinos 38 Jackpot Blitz™ ETGs

As of the date of this MD&A, the Company has leased Jackpot Blitz™ ETG units which are active with cruise-ship casinos and a land-based casino in Canada. The Company has signed Letters of Intent, Trial Agreements, Software License and Equipment Lease Agreements, or purchase orders with more than five (5) casinos in California, Iowa, France, Costa Rica, and Paraguay for installation of the Jackpot Blitz™ ETG. These Jackpot Blitz™ ETG units will be installed over the coming quarters once the relevant jurisdictional approvals are obtained for the Company and the Jackpot Blitz™ ETG. The Company continues to pursue new business opportunities in the regulated and non-regulated casino markets for Jackpot Blitz™.

During 2018, the Company signed Distribution Agreements with Mascot SFM (exclusive for France and Monaco) and Yellofin LLC (non-exclusive for USA) to distribute, market, and/or provide support services for the Jackpot Blitz™ ETG. These Distribution Agreements supplement to the Company's agreement with R2 Gaming for sales and support for Jackpot Blitz™ in Canada.

In July 2018, the National Indian Gaming Commission ("NIGC") issued a Game Classification Opinion stating that the Company's Jackpot Blitz™ ETG with Texas Hold'em satisfies the

requirements as a Class II Game. This allows Jackpot to pursue placements of the Jackpot Blitz™ ETG with an additional 75 tribal game operations across the United States.

During November 2018, the Company received the official notification and the Certification Document from Gaming Laboratories International ("GLI®") that the Jackpot Blitz™ ETG platform is compliant with the requirements of GLI-24 and the National Indian Gaming Commission's Class 2 Gaming Systems standard. Jackpot Blitz is also compliant with the applicable requirements from GLI-12, GLI-13, GLI-16 and GLI-21. This GLI certification verifies that Jackpot Blitz™ complies with regulatory standards for numerous gaming jurisdictions in North America and worldwide. This GLI approval also allows Jackpot Digital to pursue second phase product approvals with regulatory licensing jurisdictions which require their own proprietary product certification standards or internal lab testing.

During January 2019, the Company began the development of a second new electronic gaming product for a casino operator client. The agreement covering the development of this product includes an initial order of twenty-five (25) units to be installed in the client's casinos once this new product has cleared the client's internal testing process.

During August 2018, the Company entered into a Purchase & Sale Agreement with an arm's length party whereby the Company sold to the arm's length party the Company's 800,000 units in the capital of 37 Capital Inc. ("37 Capital") for a cash payment of $72,000. Each 37 Capital unit consists of one common share in the capital of 37 Capital and one share purchase warrant exercisable at Cdn $0.12 per common share until November 2, 2022.

As of December 31, 2018, the Company's operations employed 23 people (December 31, 2017: 22 people) consisting of staff and management. As of the date of this MD&A, the Company's operations employ 22 people consisting of staff and management.

On December 12, 2018, at the Annual General Meeting of the Company's shareholders which was held in Vancouver, BC, the shareholders received the Audited Consolidated Financial Statements for the fiscal year ended December 31, 2017 and the Independent Auditor's report thereon; fixed the number of Directors for the ensuing year at five; elected Bedo H. Kalpakian, Jake H. Kalpakian, Neil Spellman, Gregory T. McFarlane and Alan Artunian as Directors of the Company; re-appointed the Company's Independent Auditor, Smythe LLP, Chartered Professional Accountants, for the ensuing year and authorized the Directors to fix the remuneration to be paid to the Auditor and re-approved the Company's 10% Rolling Stock Option Plan.

The Company is presently not a party to any legal proceedings whatsoever.

### *Electronic Table Games*

The Company is focused on developing and expanding its electronic table games ("ETG"s) business which it acquired from Everi Holdings Inc. ("Everi") in August 2015.

The Company's warehouse is used for the purpose of storing, cleaning, assembling, refurbishing, manufacturing, testing, configuring, packing and shipping the Company's ETGs. The Company has paid a security deposit of $8,930 in respect to this Lease Agreement. Effective September 1, 2018, the Company expanded its existing warehouse facility by approximately 1,521 sq. feet until May 31, 2019 (the "Expanded Premises). The Company entered into an Extension of Lease Agreement on January 24, 2019, extending the Company's lease of 9,792 sq. feet until May 31, 2020. The Company pays basic rent of $6,528 plus the operational cost and applicable taxes per month.

The Company categorizes its ETG customers in three markets: cruise ships, North American casinos and other markets.

Cruise Ships

- The cruise ship industry operates their casinos while they are in international waters, and therefore, they do not require their gaming equipment vendors to attain any form of gaming license or product approval.
- The Company typically leases ETGs on a monthly recurring basis to cruise ship companies.
- Carnival Corporation ("Carnival") is the largest operator of the Company's ETGs.
- The Company is in discussions with other cruise line entities to place Jackpot Blitz™ ETGs on their ships.

North American Casinos

- The North American casino industry is predominantly regulated at the state/provincial level as individual jurisdictions. Additionally, some states have native American tribal jurisdictions. Every jurisdiction approves the gaming equipment used in their casinos, usually in the form of a gaming license. Therefore, the Company must attain gaming licenses directly or through a distributor to expand its ETG business in North America.
- The Company currently holds approved gaming licenses and registrations in North America with the California Gambling Control Commission, the Arkansas Racing Commission, the Alcohol and Gaming Commission of Ontario, the Seminole Tribe of Florida, Rincon Tribal Gaming Commission and the Department of Justice and Public Safety, Gaming, Liquor and Security Licensing in New Brunswick. The Company has license applications underway with a number of State, Provincial, and Tribal gaming regulators across North America.
- The Company has signed Agreements and/or Letters of Intent with numerous entities in Canada and the United States which are contingent on the Company receiving license approvals by the relevant regulatory bodies.
- The Company typically leases ETGs on a monthly recurring basis to North American casino customers.

Other Markets

- Markets outside cruise ships and North American casinos are considered on a case-by-case basis, depending on the revenue potential, practicality of deploying and supporting the Company's ETGs in other continents, and other considerations.
- The Company may opt to lease or sell ETGs in other markets.
- The Company has signed Sales/Service and/or Distribution agreements with numerous entities, with these agreements covering sales territories including France (exclusive), Europe (non-exclusive), and Asia (non-exclusive).

***Research and Development***

The Company is continuously developing new hardware and software components for the Jackpot Blitz™ ETG and other products in the development pipeline. During 2018, the Company incurred $636,374 on salaries and benefits in respect to Research and Development. This cost was incurred primarily for the software development to develop new software features and improve the hardware (reduce cost and improve efficiency) on the Jackpot Blitz™ ETG.

During 2018, the Company's R&D primarily focused on the hardware and software features required for obtaining GLI certification under requirements of GLI-24 and the National Indian Gaming Commission's Class 2 Gaming Systems standard. The Company also focused on adding new game and back-end features to the Jackpot Blitz™ ETG, including blackjack, baccarat, and video poker minigames which can be played simultaneously with Texas Hold'em.

***Loan Payable with Everi Holdings Inc. (formerly MultiMedia Games, Inc.) ("Everi")***

On June 30, 2015, the Company entered into an asset purchase agreement, as amended on July 31, 2015 and August 6, 2015 (the "Agreement"), with Everi whereby the Company purchased the assets of the PokerTek business unit of Everi, including gaming systems (parts and tables), software, patents and all the licensing contracts with third parties related to the PokerTek business unit (the "Transaction").

Pursuant to the Agreement, the consideration includes 750,000 warrants. Each warrant entitles the holder to purchase 1 common share of the Company for $2.00 over a period of five years starting on August 10, 2015 being the "Closing Date" of the Transaction. The consideration includes "Cash Consideration" of which the amount is contingent on when it is paid:

- US$5,400,000 if paid by September 30, 2015;
- US$6,000,000 if paid by December 31, 2015;
- US$7,500,000 if paid after December 31, 2015.

The Company paid $2,669,000, or US$2,000,000, cash consideration and issued 750,000 warrants on the Closing Date. In 2016, the Company increased the payable to Everi by $437,085 with a charge against profit or loss to recognize the change in total Cash Consideration payable to US$7,500,000. In addition, during 2016, the Company paid Everi $738,485, or US$550,000, and during 2017, the Company paid Everi $325,300, or US$250,000.

On December 22, 2017, the Company entered into a debt settlement agreement with Everi whereby the Company and Everi agreed to settle the Company's outstanding debt of US $3,862,105 by making a payment to Everi of US$1,762,105 on or before March 15, 2018, and by reducing the exercise price of the 750,000 warrants from $2.00 per share purchase warrant to $0.50 per share purchase warrant on or before January 22, 2018. The Company obtained the approval of the TSX-V for the reduction of the price of the share purchase warrants to $0.50 per share purchase warrant on January 19, 2018, however, the Company did not make the required payment to settle the outstanding debt by March 15, 2018.

On October 18, 2018, the Company entered into an amendment to the previously executed debt settlement agreement (the "New Debt Settlement Agreement") with Everi. The New Debt Settlement Agreement has been accepted by the TSX-V. Pursuant to the New Debt Settlement Agreement, the Company's outstanding debt to Everi in the amount of US $3,805,355 has been reduced to US$1,355,355 which shall bear simple interest at the rate of 8% per annum and which shall be payable eighteen months after the effective date of the New Debt Settlement Agreement. In consideration for the elimination and reduction of the debt by a total amount of US$2,450,000 ($3,229,590) the Company has granted to Everi 1,000,000 common share purchase warrants in the capital of the Company which are exercisable at the price of $0.35 per common share for a period of two years, and the Company has issued to Everi as fully paid and non-assessable 2,276,225 common shares in the capital of the Company at a deemed price of $0.20 per share. The Company recorded the settlement using the fair value of the equity instruments issued of $551,258, and accordingly recognized a gain on debt settlement of $2,678,332 during the year ended December 31, 2018. The securities that have been issued to Everi are subject to a hold period in accordance with the applicable securities laws.

As at December 31, 2018, the Company has a payable to Everi of $1,862,484, or US$1,365,257 (2017 - $4,818,980, or US$3,841,355). During the year-ended December 31, 2019, the Company realized a gain of $2,678,332 on the debt settlement agreement with Everi.

***Lease Liability***

Effective April 1, 2018, the Company entered into an agreement with an arm's length party to lease a forklift (the "Forklift Lease Agreement") for a term ending September 1, 2019. The Company has recorded the Forklift Lease Agreement as equipment and a lease liability in the consolidated balance sheet. The Forklift Lease Agreement has been personally guaranteed by the President & CEO of the Company.

**Revenues**

For the year ended December 31, 2018, the Company has recorded Other revenues of $nil (December 31, 2017: $19), Licensing revenues of $nil (December 31, 2017: $(14,097)) and Electronic gaming tables of $2,114,575 (December 31, 2017: $3,564,798). The decrease in the Company's revenues is mainly due to the recognition of deferred revenues of $1,082,098 during the three months ended March 31, 2017 as a result of receiving a gaming licence for the Company's ETGs in the Province of Ontario, Canada.

**Royalty expense**

For the year ended December 31, 2018, the Company had royalty expense of $39,689 as compared to royalty expense of $51,535 (December 31, 2017). The decrease in the Company's royalty expense is due to the 2016 Amending Agreements of the 2015 non-convertible secured debentuers.

**Licensing fee**

For the year ended December 31, 2018, the Company had licensing fee of $21,109 as compared to $78,883 (December 31, 2017). The decrease in the Company's licensing fee is due to the Company not receiving any revenues from some land-based establishments that terminated their agreements with Everi after the acquistion of the assets as the Company did not have the applicable licenses.

**Cost of Sales**

For the year ended December 31, 2018, the cost of sales was $837,205 as compared to $525,075 (December 31, 2017). The increase in the Company's cost of sales is due to the full-scale production of the Jackpot Blitz$^{ETG}$ ETGs which includes shipping, customs fee and labour costs.

**Gross Profits**

For the year ended December 31, 2018, the Company has recorded gross profits of $1,216,572 as compared to $2,895,227 during the corresponding period in 2017. The decrease in the Company's gross profits is mainly due to the recognition of deferred revenues of $1,082,098 during the three months ended March 31, 2017 as a result of receiving a gaming licence for the Company's ETGs in the Province of Ontario, Canada.

**Expenses**

For the year ended December 31, 2018, operating and other expenses were $4,790,897 as compared to $7,184,542 during the year ended December 31, 2017. The decrease in operating expenses is mainly due to to the gain of $2,678,332 which the Company recognized on the debt settlement agreement with Everi. Furthermore, salaries and benefits, impairment loss on gaming systems, interest expense and finance expense, foreign exchange loss increased during 2018, and the consulting expense decreased during 2018.

## Net Income (Loss) and Comprehensive Income (Loss)

During the year ended December 31, 2018, the Company had a net loss and comprehensive loss of $3,574,325 or $0.08 per share (weighted average) as compared to a net loss and comprehensive loss of $4,289,315 or $0.13 per share (weighted average) during the year ended December 31, 2017. During the year ended December 31, 2018, the Company's weighted average number of common shares was 44,509,035 as compared to 31,842,424 during the year ended December 31, 2017.

## Liquidity and Capital Resources

Presently, the Company does not have sufficient funds to continue its operations uninterruptedly. In order for the Company to be efficient, the Company requires new funding so as to be able to meet the Company's operational expenses, pay its liabilities promptly, and expand its operations to increase its revenues. New funding for the Company may or may not be available to the Company. Should the Company's revenues decline or should the Company lose its major customer, then it will be difficult for the Company to raise additional funds.

The Company intends to seek equity and/or debt financing through private placements and/or public offerings and/or loans. In the past, the Company has been successful in securing equity and debt financings in order to conduct its operations uninterruptedly. While the Company does not give any assurances whatsoever that in the future it will continue being successful in securing equity and/or debt financings in order to conduct its operations uninterruptedly, it is the Company's intention to pursue these methods for future funding of the Company.

As at December 31, 2018, the Company's total assets were $4,922,580 as compared to $4,779,044 for the corresponding period in 2017. The Company's total liabilities were $12,330,737 as compared to $13,034,351 for the corresponding period in 2017. The Company has not paid any dividends and does not plan to pay any dividends in the future.

As at December 31, 2018, the Company had:

- Cash and cash equivalents of $25,391 as compared to $162,239 at December 31, 2017.
- Accounts receivable of $378,585 as compared to $269,537 at December 31, 2017.
- Prepaid expenses and deposits of $46,904 as compared to $46,904 at December 31, 2017.
- Deposits for Gaming systems of $20,265 as compared to $571,683 at December 31, 2017.
- Gaming systems of $3,055,612 as compared to $1,908,154 at December 31, 2017.
- Equipment of $80,121 as compared to $51,078 at December 31, 2017.
- Mineral property interest of $1 as compared to $1 at December 31, 2017.
- Investment of $1 as compared to $1 at December 31, 2017.
- Intangible assets of $1,315,700 as compared to $1,769,447 at December 31, 2017.

## Operating Activities

During the year ended December 31, 2018, the Company used $2,247,167 of cash for operating activities as compared to $1,650,475 of cash used for operating activities in the corresponding period of 2017. The increase in the Company's operating activities is due to the full-scale production of the Jackpot Blitz™ ETGs and the increase in Research and Development activities.

## Financing Activities

During the year ended December 31, 2018, the Company received $3,711,093 cash from financing activities as compared to $3,274,903 cash from financing activities in the corresponding period of 2017.

## Investing Activities

During the year ended December 31, 2018, the Company used cash in investing activities of $1,599,383 as compared to $1,475,968 of cash used in investing activities during the corresponding period of 2017.

## Capitalization

In order for the Company to increase its revenues, the Company must reduce or preferably eliminate its outstanding debts as soon as possible, must increase its workforce and the production of its ETGs, and must dedicate more resources to marketing and promotion of the Company's products and services.

During the year ended December 31, 2018, the Company has incurred a net loss and comprehensive loss of $3,574,325 (December 31, 2017: $4,289,315), has limited revenues, has outstanding liabilities and has no assurances that sufficient funding will be available to continue operations for an extended period of time.

During the year ended December 31, 2018 and up to the date of this report, the following transactions have occurred:

i) During March 2019, the Company closed the non-brokered private placement financing which was announced on January 24, 2019 and February 25, 2019 whereby the Company issued a total of 7,149,593 units of the Company at a price of $0.135 per unit for gross proceeds of $965,195. Each unit consists of one common share of the Company and one share purchase warrant to acquire an additional common share of the Company at the price of $0.18 per share for a period of two years. The Company paid a cash commission of $24,000, issued in aggregate 428,375 common shares at a deemed price of $0.135 per share and 177,778 warrants as finder's fees to arm's length parties. All the securities that have been issued in connection with this private placement are subject to a hold period which expires on June 16, 2019, June 26, 2019 and June 29, 2019, respectively.

ii) On November 8, 2018, the Company closed the second tranche of the non-brokered private placement which was announced on September 28, 2018 and which consists of 1,712,500 units of the Company at a price of $0.20 per unit for total gross proceeds to the Company of $342,500. Of the gross proceeds, $342,500 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.25 for a period of 3 years. The Company issued in aggregate 195,312 common shares fair valued at $39,062 as finder's fees to arm's length parties. A company controlled by two directors and officers of the Company subscribed for 150,000 units in the private placement. All the securities that have been issued in connection with this private placement are subject to a hold period which expires on March 9, 2019.

iii) On October 29, 2018, the Company closed the first tranche of the non-brokered private placement which was announced on September 28, 2018 and which consists of 3,185,800 units of the Company at a price of $0.20 per unit for total gross proceeds to the Company of $637,160. Of the gross proceeds, $637,160 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.25 for a period of 3 years. The Company issued in aggregate 384,475 common shares fair valued at $76,895 as finder's fees to arm's length parties. A director and officer of the Company subscribed for 110,000 units in the private placement. All the securities that have been issued in connection with this private placement are subject to a hold period which expires on March 1, 2019.

iv) On June 18, 2018, the Company completed its rights offering and issued 12,266,108 units of the Company's securities for gross proceeds of $1,839,916. Each unit consists of one common share and one Rights Offering Warrant. Each Rights Offering Warrant entitles the holder to purchase one additional common share at a price of $0.50 until January 20, 2022. The Rights Offering Warrants trade on the TSX-V. Additionally, in respect to the rights offering, the Company incurred share issuance costs of $71,984 and the stand-by guarantors received bonus warrants entitling them to purchase a total of 1,478,601 common shares of the Company exercisable at a price of $0.50 per share until June 22, 2023. The bonus warrants were fair valued at $162,861.

v) On January 24, 2018, the Company closed a non-brokered private placement, which consists of 389,000 units of the Company at a price of $0.50 per unit for gross proceeds of $194,500. Of the gross proceeds, $194,500 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.60 for a period of five years. The Company incurred share issuances costs of $12,000 and issued 24,000 broker options fair valued at $13,209. The broker options are exercisable at $0.50 per broker option for two years. Each broker option consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.60 per share for two years.

(v) On January 3, 2018, the Company closed the non-brokered private placement financing, which was announced on December 21, 2017 and consists of 1,053,550 units of the Company at $0.50 per unit for gross proceeds of $526,775. Of the gross proceeds, $526,775 has been allocated to capital stock and $nil has been allocated to warrant reserve. Each unit consists of one common share of the Company and one non-transferable share purchase warrant to acquire an additional common share of the Company at the price of $0.60 for a period of five years. The Company incurred share issuance costs of $15,600 and issued 45,084 finder's units fair valued at $22,542, 45,084 broker warrants fair valued at $nil and 31,200 broker options fair valued at $17,463. The broker warrants are exercisable at $0.60 per share for a period of two years. The broker options are exercisable at $0.50 per broker option for two years. Each broker option consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.60 per share for two years.

All the proceeds received from the share financings during 2018 have been used for general working capital purposes by the Company.

### *Warrants*

A total of 3,810 warrants totaling $1,905 were exercised during the year ended December 31, 2018. As at December 31, 2018, there were 48,071,747 warrants outstanding with weighted average price ranging from $0.50 to $0.55 per warrant (December 31, 2017: 30,382,130 with weighted average price of $0.70 per warrant). As of the date of this MD&A, a total of 52,730,475 warrants are outstanding.

Should any warrants be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any warrants will be exercised.

### *Stock Options*

As at December 31, 2018, there were 781,859 stock options available for granting under the New 10% Rolling Stock Option Plan (December 31, 2017: 2,158,673). As at December 31, 2018, there were 4,900,000 stock options outstanding with a weighted average exercise price of $0.19 per share (December 31, 2017: there were 1,366,000 stock options outstanding with a weighted average

exercise price of $0.60 per share). As of the date of this MD&A, a total of 4,740,000 stock options are outstanding.

There were no stock options exercised during the year ended December 31, 2018.

Should any outstanding stock options be exercised by any party, then any funds received by the Company shall be used for general working capital purposes. However, there are no assurances whatsoever that any stock options will be exercised.

**LOANS PAYABLE AND DEBENTURES**

*Loans payable*

During the year ended December 31, 2018, the Company:

(a) Entered into a loan agreement with an arm's length party for the amount of $100,000, with a term of 12 months, bears interest at the rate of 10% per annum payable on a quarterly basis. As at December 31, 2018, the Company fully repaid the outstanding loan and accrued interest totaling $103,479.

(b) Entered into four promissory notes with an arm's length party for the amount of $265,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory notes and accrued interest totaling $267,442.

(c) Entered into a loan agreement with an arm's length party, as amended on June 28, 2018, for the amount of $500,000, with a term of twelve months and bears interest at the rate of 15% per annum payable on a quarterly basis. Pursuant to the agreement, the Company is required to issue 400,000 bonus shares. The amount of $491,639 was recorded as the liability portion of the compound instruments and the amount of $8,361 has been recorded as the equity portion. As at December 31, 2018, the Company fully repaid the outstanding loan and accrued interest totaling $518,288 but had not yet issued the bonus shares. $8,798 was recorded as a gain on modification of debt due to the amendment of the term on June 28, 2018.

(d) Entered into a promissory note with an arm's length party for the amount of $75,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory notes and accrued interest totaling $75,288.

(e) Entered into a promissory note with an arm's length party for the amount of $40,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the total balance of the outstanding loan and accrued interest is $40,197.

(f) Entered into two promissory notes with an arm's length party for the amount of $290,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company repaid $204,822, and the total balance of the outstanding loan and accrued interest is $90,247.

(g) An arm's length party has advanced to the Company the amount of $150,000, which bears interest at the rate of 10% per annum and which is due on demand. As at December 31, 2018, the total balance of the outstanding loan and accrued interest is $154,521.

*Non-convertible secured debentures*

During the year ended December 31, 2015, the Company entered into two non-convertible secured debenture agreements for an aggregate US$2,500,000 with one arm's length party and one related party. The non-convertible secured debentures are secured against the Company's assets. The

non-convertible debenture agreements provide for a term of three years, maturing on August 4, 2018, and bear interest at 10% per annum, with interest payable quarterly. As additional consideration of the risk associated with the debenture, the Company issued 750,000 warrants to the lenders. Each warrant has a five-year expiry term and is exercisable into one common share at $2.00.

In addition, the Company is required to pay the lenders certain royalty percentages of net revenues during the three-year period. The terms of the royalty percentages were amended on April 28, 2016.

The liability component of the non-convertible debentures was recognized initially at the fair value of a similar liability that does not have attached warrants, which was calculated based on the application of a market interest rate of 25%. The difference between the face value of US$2,500,000 and the fair value of the non-convertible debentures of $2,386,286 represent the value of the warrants, which has been recognized as a component of equity.

As at December 31, 2018, the amount of $3,379,003 (2017 - $2,854,790) has been recorded as the non-convertible secured debentures.

*Convertible secured debentures*

During the year ended December 31, 2016, the Company issued convertible secured debentures financing that was announced on April 22, 2016 for gross proceeds of $2,000,000 (net proceeds of $1,753,111). The convertible secured debentures have a term of 12 months, bear simple interest at the rate of 12% per annum and payable on a quarterly basis. The principal amount of the convertible secured debentures may be convertible into common shares of the Company at a price of $0.50 per share. In connection with the convertible secured debentures, the Company has paid a cash commission of $200,000 and a corporate finance fee of $30,000 plus HST and other expenses of $11,495 plus HST and has issued 600,000 broker warrants to Kingsdale Capital Markets Inc. (fair valued at $31,128). The broker warrants were exercisable into common shares of the Company at the price of $0.50 per share during the first year and at the price of $1.00 per share during the second year and expired unexercised. The convertible secured debentures are secured against the Company's assets.

During the year ended December 31, 2018, the Company paid $nil (2017 - $222,098) of accrued interest and repaid principal amounts totaling $nil (2017 - $17,000).

As at December 31, 2018, the amount of $1,983,000 (2017 - $1,983,000) has been recorded as the liability portion of convertible secured debentures and the amount of $101,601 (2017 - $101,601) has been recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%.

*Convertible debenture*

During August 2018, the Company has entered into a convertible debenture with an arm's length party for the principal amount of Cdn $328,000 which bears interest at the rate of 8% per annum and which was due and payable on October 30, 2018 (the "Term"). Subsequent to December 31, 2018, the Term has been extended to July 15, 2019. At any time prior to the expiry of the Term, at the sole discretion of the Company, all or part of the Principal Amount together with all accrued interest may be converted into common shares of the Company at the price of Cdn $0.18 per share. The securities that may be issued pursuant to the convertible debenture shall be subject to four months and a day hold period in accordance with applicable Canadian securities laws.

As at December 31, 2018, the amount of $328,000 has been recorded as the liability portion of convertible secured debentures and the amount of $5,658 has been recorded as the equity portion of convertible secured debentures reserve. The effective interest rate was 20%.

*37 Capital Loan Payable and Debentures*

Loan payable

During the year ended December 31, 2016, 37 Capital entered into an agreement with an arm's length party whereby the party would pay certain debts owed by 37 Capital. As at December 31, 2018, the balance payable is $103,924 (2017 - $103,924).

Convertible debentures

During the year ended December 31, 2013, 37 Capital issued several convertible debentures for a total amount of $975,000. As at December 31, 2018, one convertible debenture is in default and another convertible debenture has been extended indefinitely.

On January 6, 2015, 37 Capital closed a convertible debenture financing with two directors of 37 Capital for the amount of $250,000. As at December 31, 2018, the two convertible debentures are in default.

***Summary of Quarterly Results***

The following are the results for the eight most recent quarterly periods, starting with the three-month quarterly period ended December 31, 2018:

| **For the Quarterly Periods ended** | | **December 31, 2018** | **September 30, 2018** | **June 30, 2018** | **March 31, 2018** |
|---|---|---|---|---|---|
| Total Revenues | $ | 512,569 | 507,311 | 535,320 | 559,375 |
| Net income (loss) and comprehensive income (loss) for the period | $ | 208,556 | (1,227,303) | (1,266,273) | (1,289,305) |
| Basic and diluted income (loss) per common share | $ | 0.00 | (0.03) | (0.03) | (0.04) |

| **For the Quarterly Periods ended** | | **December 31, 2017** | **September 30, 2017** | **June 30, 2017** | **March 31, 2017** |
|---|---|---|---|---|---|
| Total Revenues | $ | 625,750 | 542,566 | 599,730 | 1,782,674 |
| Net income (loss) and comprehensive income (loss) for the period | $ | (3,103,451) | (659,467) | (803,568) | 277,171 |
| Basic and diluted income (loss) per common share | $ | (0.09) | (0.02) | (0.03) | 0.01 |

Fourth Quarterly Results (December 31, 2018)

During the three months [fourth quarter] period ended December 31, 2018:

- The Company had a net income and comprehensive income of $208,556 or $0.00 per share as compared to a net loss and comprehensive loss of $3,103,451 or $0.09 per share in the same three months [fourth quarter] period of 2017 due to the fact that during the fourth quarter of 2018, the Company recognized a gain of $2,678,332 on the debt settlement agreement with Everi as compared to a loss of $702,724 on the debt settlement with 37 Capital and the impairment loss of $1,269,700 on goodwill during the fourth quarter of 2017.

- The Company's total revenues were $512,569 as compared to total revenues of $625,750 in the same three months [fourth quarter] period of 2017.

- The Company's total operating and other expenses were $85,793 as compared to total operating and other expense of $3,611,776 in the same three months [fourth quarter] period of 2017 due to the fact that during the fourth quarter of 2018, the Company recognized a gain of $2,678,332 on the debt settlement agreement with Everi as compared to a loss of $702,724 on the debt settlement with 37 Capital and the impairment loss of $1,269,700 on goodwill during the fourth quarter of 2017.

***Risks related to our Business***

The Company, and the Securities of the Company, should be considered a highly speculative investment. The following risk factors should be given special consideration when evaluating an investment in any of the Company's Securities:

- ***General legislative risk***

  The Company's business is heavily regulated.

  Although management believes that the revenues generated from the Company's gaming products represent lawful business, there is the risk that the legality may be challenged by Canadian or other legal authorities. If the legality is challenged by any legal authority and the challenge is sustained, it may have a material adverse impact on the financial affairs of the Company.

  Changes in gaming legislations in any jurisdiction, or the Company's inability to obtain, maintain and comply with all applicable and required licenses, permits, and certifications can adversely affect the financial affairs of the Company.

- ***Competition***

  The marketplace for the Company's gaming products is constantly undergoing changes, is intensely competitive and is subject to changes in customer preferences. The Company's products and services compete against those of other companies that have greater financial, marketing, technical and other resources than those of the Company.

- ***Internet and system infrastructure viability***

  Any changes in the internet's role as the premier computer network information service or any shutdown of internet services by significant internet service providers may have an adverse material impact on the Company's ability to generate revenues. Furthermore, the Company can be severely and adversely affected from power failures, internet slowdowns or failures, software slowdowns or failures or hackings.

- ***Reliance on key personnel***

  The Company relies heavily on its employees, the loss of any of whom could have an adverse effect on the Company.

- ***Customer loyalty***

  The Company also relies on its licensees for the operation of the Company's gaming products, the loss of any of which could have an adverse effect on the affairs of the Company.

- ***Payment processing***

  Changes in policies of companies, financial institutions or banks, that handle credit card transactions and/or other types of financial transactions for online gaming, can have an adverse impact on the business and financial affairs of the Company.

- ***Foreign exchange rates***

  The profitability of the Company can be affected by fluctuations in the exchange rate of the US Dollar in relation to the Canadian Dollar.

- ***Reliance on Major Customer***

  The Company relies heavily on its major customer. In the event that the Company loses its major customer, then it will have an adverse effect on the Company.

- ***Price volatility and liquidity of the Company's securities***

  The market price of the Company's common shares and warrants have experienced considerable volatility and may continue to fluctuate in the future. Factors such as the Company's quarterly and annual results, changes in existing legislation, new legislation, technological changes and general market conditions may adversely affect the market price of the Company's common shares and warrants. There is a limited trading market for the Company's common shares and warrants, and the ability of investors to sell their shares and/or warrants or the price at which those shares and/or warrants may be sold cannot be assured.

- ***Growth management***

  If the Company's gaming products gain traction in the market, rapid growth may occur which can result in certain strains on the Company.

- ***Dilution***

  There are a number of outstanding securities and agreements pursuant to which common shares of the Company may be issued in the future. This would result in further dilution to the Company's shareholders.

- ***Revenues and Dividends***

  While the Company generates some nominal revenues, the Company has not yet established a long-term pattern of consistently generating meaningful revenues. The Company intends to retain its earnings in order to finance growth. Furthermore, the

Company has not paid any dividends in the past and does not expect to pay any dividends in the future.

- ***Under Capitalized***

  The Company has outstanding debts, has working capital deficiency, has limited revenues, and has no assurances that sufficient funding will be available to the Company to continue its operations for an extended period of time.

- ***Disruption in Trading***

  Trading in the common shares and warrants of the Company may be halted or suspended or may be subject to cease trade orders at any time and for any reason, including, but not limited to, the failure by the Company to submit documents to the Regulatory Authorities within the required time periods.

- ***Research and development risk***

  Research and development carries an element of risk because it involves trying new and untested ideas. New or modified products or services may prove to be more difficult or costly to develop than anticipated due to engineering challenges encountered internally or with external vendors. Additionally, delays in commercializing new products and services may lead to a decrease in projected revenue.

  The primary research and development risks for the Company include the following:

  a. **Custom large high-performance touchscreen.** The custom touchscreen used in the Company's new product uses a combination of cutting-edge hardware and proprietary software techniques that are geared specifically for gesture-based game play. Due to the unique and new nature of this technology, the Company cannot realistically estimate the longevity and reliability of the touchscreen in a 24/7 casino environment. The Company expects to mitigate this risk as it gains more operational experience with the touchscreen and newer technologies become available in the global touchscreen industry.

  b. **Product safety testing and certification.** New products must meet Canadian Standards Association (CSA) and/or Underwriters Laboratories (UL) standards to be used in the USA and Canada. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product. The Company has received its safety testing and certification reports for the Jackpot Blitz™ ETG Platform under the applicable CSA, UL, and CE standards.

  c. **Electromagnetic compatibility (EMC) testing and certification.** New products must have a Federal Communications Commission (FCC) "Declaration of Conformity" label for it to be used in the USA and Canada. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product. The Company has received its certification reports and Declaration of Conformity label for the Jackpot Blitz™ ETG platform under the applicable FCC and CE EMC standards.

  d. **Gaming device testing and certification.** New products must undergo both hardware and software testing to be permitted for use in a regulated casino environment. Gaming products must comply with Gaming Labs International (GLI)

standards in most gaming jurisdictions in the USA and Canada. Some jurisdictions, such as Ontario, have their own testing standards. Any scheduling issues or abnormal delays experienced by the 3rd party testing company will result in delays for launching the regulated version of the product. The Company has received its Certification Document from Gaming Laboratories International ("GLI®") that the Jackpot Blitz™ ETG platform is compliant with the requirements of GLI-24 and the National Indian Gaming Commission's Class 2 Gaming Systems standard. Jackpot Blitz is also compliant with the applicable requirements from GLI-12, GLI-13, GLI-16 and GLI-21.

**Related Party Transactions**

The Company shares office space and certain expenses with 37 Capital, a company related by certain common officers and directors. The Company previously shared certain office space and certain expenses with Green Arrow Resources Inc. ("Green Arrow"). Green Arrow was formerly related to Jackpot by certain common directors. Green Arrow and Jackpot ceased to be related parties in November 2017.

In respect to the debt owed by Green Arrow to the Company in the amount of $153,147 for shared office rent, office support services and miscellaneous office expenses up to November 30, 2016 ("Green Arrow's Debt"), during May 2017 Green Arrow issued to Jackpot 2,000,000 common shares at a price of $0.05 per share in settlement of Green Arrow's Debt. Pursuant to Assignment of Debt Agreements between the Company, Green Arrow, Dumont Capital Corp. ("Dumont") and 0787129 BC Ltd. ("0787129"), the Company assigned $53,147 of Green Arrow's Debt to Dumont and 0787129, and 800,000 common shares of Green Arrow to Dumont and 262,949 common shares of Green Arrow to 0787129. As consideration, during May 2017 the Company received cash payments from Dumont and 0787129 totalling the amount of $53,147. Furthermore, during November 2017 the Company disposed the Green Arrow shares for proceeds of $100,000.

37 Capital is related to the Company by virtue of the fact that 37 Capital's CEO, namely Jacob H. Kalpakian, is the President and CEO of the Company, and a former director and officer of 37 Capital namely Bedo H. Kalpakian, is the Chairman and CFO of the Company.

Furthermore, Gregory T. McFarlane and Neil Spellman are directors of both the Company and 37 Capital, and Neil Spellman is the CFO of 37 Capital.

Amounts payable to directors are for expenses incurred on behalf of the Company and/or for funds that have been lent to the Company and are payable on demand.

On July 1, 2010 the Company entered into an agreement for management services, as amended (the "Agreement") with Kalpakian Bros. of B.C. Ltd. ("Kalpakian Bros."), a private company controlled by two directors of the Company. The Company is entitled to receive management services from Kalpakian Bros. at a monthly rate of $33,000 plus applicable taxes. As of July 1, 2015, the Agreement has been renewed for a term of five years. Kalpakian Bros. is also entitled to reimbursement for all traveling and other expenses incurred by it in connection with performing its services. If the Agreement is terminated by the Company other than for just cause, or is terminated by Kalpakian Bros. for good reason, then Kalpakian Bros. is entitled to be paid the annual remuneration for the unexpired term of the Agreement and is also entitled to immediate vesting of all unvested stock options. Kalpakian Bros. may terminate the Agreement on giving four months' notice.

During the years ended December 31, 2018 and 2017, the Company incurred the following related party transactions:

| | 2018 | 2017 |
|---|---|---|
| Rent recovered from entities with common directors | $ - | $ (28,627) |
| Office and other expenses recovered from entities with common directors | $ - | $ (85,661) |
| Interest charged on amounts due to related parties | $ 4,044 | $ 9,420 |

As a result of the Company obtaining control of 37 Capital and the Company ceasing to be a related party to Green Arrow, the rent recovered and the office and other expenses recovered are $nil during 2018 as compared to the rent recovered of $28,627 and the office and other expenses recovered of $85,661 during 2017.

**Key management compensation**

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include certain directors and officers. Key management personnel include the CEO, CFO and COO of the Company. The remuneration of key management personnel during the years ended December 31, 2018 and 2017 is as follows:

| | 2018 | 2017 |
|---|---|---|
| Management fees | $ 396,000 | $ 396,000 |
| Salaries and benefits | 302,011 | 272,126 |
| Share-based payments | 250,507 | - |
| Total key management personnel compensation | $ 948,518 | $ 668,126 |

Due to related parties

During the year ended months ended December 31, 2018, the Company:-

(a) Entered into three unsecured promissory notes with a director of the Company for an aggregate amount of $43,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory notes and accrued interest totaling $43,086.

(b) Entered into an unsecured promissory note with a family member of two directors of the Company for the amount of $75,000, bearing interest rate of 10% per annum and due on demand. As at December 31, 2018, the Company fully repaid the promissory note and accrued interest totaling $76,397.

*Office Support Services*

On May 1, 2013, the Company had entered into an Agreement for Office Support Services with 37 Capital whereby 37 Capital was obligated to pay to the Company a monthly sum of $7,000 plus applicable taxes for certain office support services that was provided by the Company. The Agreement expired on April 30, 2018. On October 23, 2017, 37 Capital entered into a debt settlement agreement with the Company whereby on November 2, 2017 37 Capital issued 4,249,985 units of 37 Capital to the Company at the price of $0.09 per unit in settlement of 37 Capital's outstanding debt for the total amount of $382,498 for shared office rent, office support

services and miscellaneous office expenses provided by the Company to 37 Capital from August 1, 2014 up to September 30, 2017. Each unit consists of one common share and one share purchase warrant. Each warrant will be exercisable at a price of $0.12 per share for a period of five years. Effective as of May 1, 2018, 37 Capital entered into an agreement for office support services with the Company, Under the office support services agreement, 37 Capital is entitled to receive office support services from the Company at a monthly rate of $1,000 plus applicable taxes. The agreement expires on April 30, 2019, and either Jackpot or 37 Capital may terminate this agreement by giving each other a three months' notice in writing.

*Office Lease*

During April 2017, the Company together with 37 Capital have entered into an office lease agreement with an arm's length party (the "Office Lease"). The Office Lease has a three-year term with a commencement date of August 1, 2017. Effective January 2018, the basic rent is $10,116 plus the operational costs and the applicable tax totaling $18,830 per month. In respect to the Office Lease, the Company has paid a deposit in the amount of $15,000. Effective as of May 1, 2018, the Company and 37 Capital have agreed that 37 Capital shall have no further responsibilities, obligations or commitments to any party in respect to the Office Lease Agreement and that 37 Capital shall pay a monthly rent of $1,000 plus applicable taxes to Jackpot. Either Jackpot or the Company may terminate this agreement by giving each other a three months' notice in writing.

*Insider Participation*

In respect to the Non-Convertible Secured Debentures issued to 30 Rock, for further particulars, please see Loans Payable and Debentures in this MD&A. The Company is related to 30 Rock by virtue of the fact that 30 Rock is owned by the President and CEO of the Company.

In respect to the non-brokered private placement financing which closed on July 27, 2017, 30 Rock subscribed for 100,000 units of the Company at $0.50 per unit.

In respect to the non-brokered private placement financing which closed on October 29 and November 8, 2018, Jake Kalpakian and Kalpakian Bros. of BC Ltd. subscribed for 110,000 units and 150,000 units of the Company, respectively, at $0.20 per unit.

In respect to the non-brokered private placement financing which was announced on January 24, 2019 and February 25, 2019, Bedo Kalpakian, Jake Kalpakian and Kalpakian Bros of BC Ltd. subscribed an aggregate of 1,130,000 units of the Company at $0.135 per unit.

## FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Risk management overview

The Company's activities expose it to a variety of financial risks, including credit risk, liquidity risk and market risk. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. While the Board of Directors has the overall responsibility for the Company's risk management framework, the Company's management has the responsibility to administer and monitor these risks.

(b) Fair value of financial instruments

The fair values of cash and cash equivalents, accounts payable and accrued liabilities, accounts receivable, payable to Everi, loans payable, due to related parties, interest

payable, and refundable subscription approximate their carrying values due to the short-term maturity of these instruments. The non-convertible secured debentures and convertible debentures are classified as Level 3 financial instruments.

The significance of inputs used in making fair value measurements are examined and classified according to a fair value hierarchy. The levels of the fair value hierarchy are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
Level 3: Inputs for assets or liabilities that are not based on observable market data.

(c) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The financial instruments that potentially subject the Company to a significant concentration of credit risk consist of cash and cash equivalents, and accounts receivable. The Company mitigates its exposure to credit loss associated with cash by placing its cash and cash equivalents in a major financial institution. The Company's cash and cash equivalents as at December 31, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|---|---|---|
| **Cash and Cash Equivalents consists of:** | | |
| Cash | $ 8,141 | $ 144,989 |
| Term deposit | 17,250 | 17,250 |
| | $ 25,391 | $ 162,239 |

As at December 31, 2018, the Company had cashable term deposits of $17,250 (2017 - $17,250) readily convertible into cash, maturing July 31, 2019 with an annual interest rate of 0.60%.

To mitigate credit risk on the Company's trade receivables, the Company regularly reviews the collectability of the accounts receivable to ensure there is no indication that these amounts will not be fully recoverable. As at December 31, 2018, the Company had receivables from one customer representing 90% (2017 - 67%) of total trade receivables. In addition, as at December 31, 2018, allowance for doubtful accounts is $nil (2017 - $nil) and the Company's accounts receivable are due within 60 days.

(d) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meets its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due.

At December 31, 2018, the Company has cash and cash equivalents of $25,391 (2017 - $162,239) available to apply against short-term business requirements and current liabilities of $11,885,163 (2017 - $12,699,877). All of the liabilities presented as accounts payable and accrued liabilities and due to related parties are due within 90 days of December 31, 2018. As at December 31, 2018, all of the Company's debentures and loans have reached

maturity. The Company will be required to raise additional capital in order to fund operations for the next twelve months.

(e) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return on capital.

(i) Currency risk

The Company is exposed to foreign currency risk and has significant financial assets and liabilities denominated in US dollars. The Company has not entered into any foreign currency contracts to mitigate this risk. As at December 31, 2018 and 2017, the Company is exposed to currency risk for its US dollar equivalent of financial assets and liabilities denominated in currencies other than Canadian dollars as follows:

| | Held in US dollars (stated in Canadian dollars) | |
|---|---|---|
| | **2018** | **2017** |
| Cash (cheques issued in excess of funds on deposit) | $ (35) | $ 42,434 |
| Accounts receivable | 343,847 | 237,906 |
| Prepaid expenses | 20,265 | 541,124 |
| Accounts payable and accrued liabilities | (331,788) | (189,882) |
| Interest payable | (992,142) | (514,544) |
| Loan payable with Everi | (1,862,484) | (4,818,980) |
| Non-convertible secured debentures | (3,379,003) | (2,854,790) |
| Net financial liability | $ (6,201,340) | $ (7,556,732) |

Based upon the above net exposure as at December 31, 2018 and assuming all other variables remain constant, a 4% depreciation or appreciation of the US dollar relative to the Canadian dollar would result in a change of approximately $248,054 (2017 - $302,269) in the Company's consolidated net loss and comprehensive loss.

(ii) Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash and cash equivalents is at nominal interest rates, and therefore the Company does not consider interest rate risk to be significant.

As at December 31, 2018, the interest rate on the non-convertible secured debentures, loans payable, and convertible debenture balances have fixed interest rates. As such, the Company is exposed to interest rate price risk to the extent of these financial liabilities.

(iii) Other price risk

Other price risk is the risk that the fair or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

**Transaction with 37 Capital Inc.**

On October 23, 2017, the Company and 37 Capital entered into a debt settlement agreement whereby on November 2, 2017, 37 Capital issued 4,249,985 units of 37 Capital to the Company as full settlement of the $382,498 balance owed (the "Transaction"). Each 37 Capital unit consists of one common share and one share purchase warrant. Each share purchase warrant is exercisable at $0.12 per share until November 2, 2022.

As a result of the Transaction, the Company acquired a controlling interest of 65% of 37 Capital's of the then issued and outstanding shares and began to consolidate the results of 37 Capital from November 2, 2017. The Company recorded the Transaction using the fair value of the receivable, as well as the units received and the net liabilities acquired, and accordingly recognized loss of debt settlement $702,724 during the year ended December 31, 2017.

During the year ended December 31, 2018, the Company entered into a Purchase & Sale Agreement with an arm's length party whereby the Company sold to the arm's length party the Company's 800,000 units in the capital of 37 Capital for a cash payment of $72,000. As at December 31, 2018, the Company has a controlling interest of approximately 49% of 37 Capital's issued and outstanding shares and recorded $185,077 in non-controlling interest as a result of the decrease in interests of 37 Capital.

**Off-balance sheet arrangements**

The Company does not have any off-balance sheet arrangements.

**Significant Accounting Policies**

All of the Company's significant accounting policies and estimates are included in Note 4 of the Company's annual consolidated audited financial statements for the year ended December 31, 2018 and 2017.

Effective January 1, 2018, the Company adopted IFRS 9 *Financial Instruments* ("IFRS 9") and IFRS 15 *Revenue from Contracts with Customers* ("IFRS 15"). IFRS 9 and 15 were adopted retrospectively with no restatement of comparative periods, as permitted by the transition provisions of each standard.

*IFRS 9 Financial Instruments*

The Company adopted the new accounting standard IFRS 9 *Financial Instruments* effective January 1, 2018 using the modified retrospective approach. The Company has not restated comparative information for prior periods with respect to the classification and measurement requirements of IFRS 9 and accordingly, the comparative information for the year ended December 31, 2017 is presented under IAS 39 *Financial Instruments: recognition and measurement*. There were no changes to the carrying value of any of the Company's financial assets or liabilities as a result of this new accounting standard.

*IFRS 15 Revenue from Contracts with Customers*

The Company adopted the requirements of IFRS 15 *Revenue from Contracts with Customers* effective January 1, 2018, which replaces IAS 18 *Revenue* using the modified retrospective approach. The Company reviewed its revenue streams and major contracts with customers using the IFRS 15 five step model as follows:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price, which is the total consideration provided by the customer;
- allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
- recognize revenue when the relevant criteria are met for each performance obligation.

The adoption of IFRS 15 did not result in any changes to the Company's accounting policies for revenue recognition and therefore, did not result in any transitional adjustments to the Company's consolidated financial statements.

**Future Changes in Accounting Policies**

The following new standard has been issued by the IASB but is not yet effective:

*IFRS 16 Leases*

This new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. The new standard introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease.

The standard is applicable to the Company's annual period beginning January 1, 2019.

The impact of this new standard will result in an additional right of use asset of $255,558 and a corresponding lease liability of $255,558 included in the consolidated balance sheet. The asset will be amortized over the term of the remaining lease period and the liability will be discounted at a rate of 10%.

## Capital Stock

Authorized share capital: Unlimited number of common shares without par value
Unlimited number of preferred shares without par value

| Outstanding Share Data | Common shares | Number of Preferred Shares | Exercise ($) Price per common share | Expiry Dates |
|---|---|---|---|---|
| Issued and Outstanding as at April 30, 2019 | 64,396,562 | Nil | | N/A |
| Warrants as at April 30, 2019 | 40,000<br>17,500<br>3,750 | | $0.50<br>$0.60<br>$0.60 | July 27, 2019<br>August 21, 2019<br>Sept 13, 2019 |

| | | | | |
|---|---|---|---|---|
| | 14,500<br>7,500<br>90,168<br>675,000<br>75,000<br>750,000<br>1,000,000<br>1,550,370<br>2,477,000<br>3,122,223<br>177,778<br>3,185,800<br>1,712,500<br>29,421,535*<br>3,237,500<br>700,000<br>346,000<br>850,000<br>300,000<br>1,053,550<br>389,000<br>1,478,601<br><br>52,675,275 | Nil | $0.60<br>$0.60<br>$0.60<br>$2.00<br>$2.00<br>$0.50<br>$0.35<br>$0.18<br>$0.18<br>$0.18<br>$0.18<br>$0.25<br>$0.25<br>$0.50<br>$0.50<br>$0.60<br>$0.60<br>$0.60<br>$0.60<br>$0.60<br>$0.60<br>$0.50 | Nov 28, 2019<br>Dec 1, 2019<br>Jan 3, 2020<br>August 4, 2020<br>August 4, 2020<br>August 10, 2020<br>November 19, 2020<br>February 15,2021<br>February 25, 2021<br>February 28, 2021<br>February 28, 2021<br>October 29, 2021<br>November 8, 2021<br>January 20, 2022<br>January 20, 2022<br>August 21, 2022<br>Sept 13, 2022<br>Nov 28, 2022<br>Dec 1, 2022<br>Jan 3, 2023<br>Jan 24, 2023<br>June 22, 2023 |
| Compensation Broker Options. Entitles the Holder to purchase one unit at $0.50 per unit. Each Unit shall consist of one common share and one share purchase warrant. Each warrant is exercisable at $0.60 per share for two years. | 31,200<br>24,000<br><br>55,200 | Nil | $0.50<br>$0.50 | January 3, 2020<br>January 24, 2020 |
| Stock Options as at April 30, 2019 | 4,740,000 | Nil | $0.18 | November 1,2020 – August 28, 2021 |
| Fully Diluted as at April 30, 2019 | 121,867,037 | Nil | | |

*trading on the TSX.V under the symbol "JP.WT"

**Director Approval**

The contents of this MD&A and the sending thereof to the Shareholders of the Company have been approved by the Company's Board of Directors.

**Outlook**

The Company's new ETG platform, Jackpot Blitz™, is generating considerable interest from numerous casinos, card rooms and cruise lines. Jackpot Blitz™ ETG installations are continuing with new and current customers. As a result of Jackpot Blitz™ receiving GLI certification in November 2018, management is optimistic that the Company shall be in a good position to capitalize on the significant interest for the Company's gaming product from gaming establishments in Canada, United States and internationally.

The Company continues to optimize its electronic table games business by enhancing processes, training staff, finding cost-effective local and international vendors, and implementing business management software and practices.

Furthermore, the Company is working on a new project for a client to incorporate table games and other casino entertainment experiences into a new gaming machine. While this project is in the early stages of development, Management is optimistic that once this new project is completed, it should increase the Company's revenues.